

# AGENDA



# 4:00 P.M.

## CITY COUNCIL SPECIAL MEETING

## TUESDAY, MARCH 22, 2022

### NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

[www.SedonaAZ.gov](http://www.SedonaAZ.gov)

### GUIDELINES FOR PUBLIC COMMENT

#### PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.
- The decision to receive Public Comment during Work Sessions/Special City Council meetings is at the discretion of the Mayor.

#### PROCEDURES:

- **It is strongly encouraged that public input on agenda items be submitted by sending an email to the City Clerk at [cityclerksdept@sedonaaz.gov](mailto:cityclerksdept@sedonaaz.gov) in advance of the 3:00 p.m. Call To Order.**
- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
  1. Name and
  2. City of Residence
- Limit comments to **3 MINUTES.**
- Submit written comments to the City Clerk.

DUE TO CONTINUED PRECAUTIONS RELATED TO COVID-19, SEATING FOR THE PUBLIC WITHIN THE COUNCIL CHAMBERS IS LIMITED. THOSE WISHING TO COMMENT ON SCHEDULED AGENDA ITEMS MAY BE ASKED TO WAIT OUTDOORS OR IN AN ALTERNATE LOCATION IF THERE IS NOT ADEQUATE SEATING IN COUNCIL CHAMBERS. **COMMENTS IN ADVANCE OF THE 3:00 P.M. CALL TO ORDER ARE STRONGLY ENCOURAGED BY SENDING AN EMAIL TO [CITYCLERKSDEPT@SEDONAAZ.GOV](mailto:CITYCLERKSDEPT@SEDONAAZ.GOV) AND WILL BE MADE PART OF THE OFFICIAL MEETING RECORD.** THE MEETING CAN BE VIEWED LIVE ON THE CITY'S WEBSITE AT [WWW.SEDONAAZ.GOV](http://WWW.SEDONAAZ.GOV) OR ON CABLE CHANNEL 4.

### 1. CALL TO ORDER

### 2. ROLL CALL

### 3. SPECIAL BUSINESS

LINK TO DOCUMENT =

- a. AB 2787 **Presentation/second public hearing** regarding the extension of the City of Sedona's Alternative Expenditure Limitation – Home Rule Option and the placement of that issue on the August 2, 2022 ballot for voter approval.

### 4. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice regarding matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action regarding executive session items.

### 5. ADJOURNMENT

Posted: 03/17/2022

By: DJ

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JoAnne Cook, CMC  
City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at [www.SedonaAZ.gov](http://www.SedonaAZ.gov). The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS  
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.



**CITY COUNCIL  
AGENDA BILL**

**AB 2359  
March 22, 2022  
Special Business**

**Agenda Item: 3a**

**Proposed Action & Subject:** Presentation/second public hearing regarding the extension of the City of Sedona’s Alternative Expenditure Limitation – Home Rule Option and the placement of that issue on the August 2, 2022 ballot for voter approval.

<b>Department</b>	City Manager’s Office/Finance Department
<b>Time to Present</b>	5 minutes
<b>Total Time for Item</b>	15 minutes
<b>Other Council Meetings</b>	March 8, 2022
<b>Exhibits</b>	A. PowerPoint Presentation

City Attorney Approval	Reviewed 03/14/22 KWC	<b>Expenditure Required</b>	\$ 0
City Manager’s Recommendation	Hold 2 <sup>nd</sup> public hearing concerning whether the City of Sedona should extend the Alternative Expenditure Limitation – Home Rule Option regarding the local approval of the Annual Budget.	<b>Amount Budgeted</b>	\$ 0
		Account No. (Description)	This is accounted for as part of the election costs anticipated for this fiscal year.
		Finance Approval	<input checked="" type="checkbox"/>

**SUMMARY STATEMENT**

**Background:** The purpose of this item is to meet the necessary requirements to place the continuation of the Home Rule Option, also known as Alternative Expenditure Limitation, on the ballot for the August 2, 2022 election.

This hearing and a prior hearing on March 8, 2022, are required to place the continuation of Home Rule on the ballot. The City Council will determine by resolution during the second special meeting whether to place the Home Rule Option on the ballot. Approval of that resolution requires a supermajority, or two-thirds majority vote of the Council. The Home Rule Option will then be voted on by the public at the August 2, 2022 election. Home Rule allows the annual expenditure limit for the City to be set by the City Council on an annual basis through the annual budget appropriation process.

The City has operated under the Home Rule Option (alternative expenditure limitation) for 26 years. The voters last approved the alternative expenditure limitation in August 2018. Home Rule must be passed by the voters every four years.

Approval of Home Rule allows the City to continue to set its budget locally. Home Rule gives the City local control for use of the funds it receives through the taxes and fees instead of limiting expenditures to the state-imposed expenditure limitation based on population and expenditures during the 1979/1980 fiscal year, adjusted for growth and inflation.

Home Rule does not authorize any new taxes, nor does the state-imposed limitation reduce the City's capacity to collect revenue such as taxes. It only reduces the ability to expend revenue that is already being collected by the City. If Home Rule is not passed, this would result in the City's inability to expend revenues collected to support existing levels of operations and City services. The City would be required to reduce or eliminate programs and services to comply with the state-imposed expenditure limitation.

If the resolution is approved to place the continuation of the Home Rule Option (alternative expenditure limit) on the ballot, any citizen may submit an argument supporting or opposing the Home Rule-Alternative Expenditure Limitation Option. These arguments will be published in the publicity pamphlet for the election. Arguments must be filed with the Sedona City Clerk by April 28, 2022, to be included. The argument may not exceed two hundred (200) words in length.

**Climate Action Plan/Sustainability Consistent:**  Yes -  No -  Not Applicable

**Board/Commission Recommendation:**  Applicable -  Not Applicable

**Alternative(s):** Not Applicable

## **MOTION**

**I move to:** no action is necessary during this second public hearing. Council will vote during the 2<sup>nd</sup> special meeting, immediately following this meeting.

PUBLIC HEARING FOR THE PROPOSED  
EXTENSION OF THE ALTERNATIVE  
EXPENDITURE LIMITATION  
(HOME RULE OPTION)

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City Council Meeting  
March 22, 2022

# Background - What is the State-Imposed Expenditure Limitation?

- In 1980, Arizona voters approved a tax reform package that placed an expenditure limitation on all cities and towns
  - Also allows local voters to override those limits
- Expenditures from fiscal year 1979-80 used as a baseline, then adjusted by inflation and estimated population growth each year
- Not included in the limit:
  - Bond Proceeds/Debt Service
  - Intergovernmental Revenue
  - Highway Users Revenue Funds (HURF) funds
  - Grants
- City may spend only a certain amount regardless of available local revenues or local needs
- Does not reduce existing taxes or fees or limit the ability to collect existing revenue sources

# What is Home Rule?

- Alternative to the state imposed expenditure limitation
- Provides the City the ability to determine its own expenditures each year based on a budget set locally
- City Council, with input from community, sets budget level based on
  - estimated revenues available
  - service level demands
  - community wants/needs
  - necessary infrastructure improvements
- Allows the City to expend the revenues it receives to provide services to residents
- Allows the City to make choices that best fit local conditions
- Does not impose, nor give City authority to impose, new taxes or fees
- City must continue to balance its budget each year

# Challenges

- Population based formula does not consider visitor population and other commercial growth
- Does not account for new sources of local revenue
  - New utilities
  - Increased bed and sales tax rates
  - New sources of revenue, ex.) paid parking
- Not adjusted for additional services provided as a result of citizen and visitor demand, ex.) affordable housing initiatives, sustainability initiatives, new transit system, Sedona in Motion (SIM) projects
- Revenue collected above the limit would remain unavailable for a minimum of two years
- City of Sedona wasn't incorporated in 1980
  - Calculation is based on other cities per capita average which is not comparable to Sedona
- Would result in significant service level reductions

# Estimated Expenditure Limitation Impact

	Projected shortfall based on FY22 budget
FY 2022 State-Imposed Expenditure Limitation	\$13,730,112
Estimated City Exemptions (debt service payments, grants, HURF)	\$15,792,246
Estimated FY 2022 total allowable expenditures under state limit	\$29,522,358
Adopted Budget FY 2022	(\$62,692,843)
Amount above Expenditure limit for FY 2022	(\$33,170,485)
Percent Difference	112%



# More on Home Rule

- Most recently approved by voters in August 2018
- Must be approved by the voters and renewed every 4 years
- Sedona has been operating under Home Rule since 1996 – last 26 years
- 77 of 91 other cities/towns have adopted an alternative to the state-imposed expenditure limit (87% of all AZ cities and towns)
- Public Hearings, March 8, 2022, and March 22, 2022
- 3/22 public hearing will be followed by City Council vote to consider putting the AEL on the ballot
- August 2, 2022 election date
- Supporting and opposing arguments may be submitted to include in the publicity pamphlet - due to City Clerk by April 28, 2022

Questions?

Open Public Hearing